

Wastewater Consolidation and Regionalization

OVERVIEW

In the Missouri Department of Natural Resources' ongoing effort to help Missouri citizens thrive by balancing a healthy environment with a healthy economy, one of the primary goals is to promote more efficient, resilient, and sustainable wastewater infrastructure across the state. Two of our greatest tools in this effort are 'consolidation' and 'regionalization.'

Completed consolidation and regionalization projects in Missouri have already demonstrated the ability to improve services to residents, reduce costs to providers, and improve water quality in our rivers, streams, and lakes. This publication is intended to explain how consolidation or regionalization may benefit your wastewater system and contribute to a more sustainable Missouri.

CHALLENGES TO SMALL UTILITIES

Small wastewater systems often face significant challenges in providing service to their users at a reasonable cost while complying with federal and state regulations. Challenges include aging infrastructure, increasing costs with a small rate base, and limited technical and administrative capabilities. When repairs and upgrades are necessary, financing may prove difficult. In addition to these challenges, facilities operating in non-compliance can also face enforcement actions, regardless of their type or size.

A small system struggling to manage its operation may find that sharing, or even transferring responsibility for the system is the best way to ensure that it is well-operated and provides proper service to its customers.

One way to effectively address these challenges is to partner with one or more other treatment systems. A mutually beneficial partnership can be as simple and

informal as two or more wastewater systems agreeing to share equipment or buy treatment chemicals together to save money. A more formal partnership could include a contract to share operators and/or build an emergency interconnection. The systems may also consider selling the utility, which is called consolidation, or pursue another option called regionalization, as outlined below.

WHAT IS CONSOLIDATION?

Consolidation is the term used to describe the transfer of ownership and/or operational authority of an independent wastewater system to a larger one. This transfer typically happens through the sale of a small, independent facility to a specialized wastewater operating company.

The fundamental advantage of consolidating systems under a central provider is financial – there are simply more customers to share the burden of paying the bills. Another benefit is that small wastewater system owners are able to relinquish the burden of all regulatory obligations, costs, and responsibilities for operating, maintaining, and improving the wastewater system.

Consolidated systems typically achieve higher levels of operating performance and rates of regulatory compliance. Greater performance and compliance not only benefits you as the provider or owner, but directly benefits your customers as well as the water quality in your community.

To determine if consolidation is an available option for your system, we recommend contacting providers that operate in your area. The Department can also assist in identifying potential partners in your area or region.

WHAT IS REGIONALIZATION?

Regionalization is the term used to describe two type of scenarios:

1. When an independent wastewater system directly connects to an existing regional wastewater district.
2. When two or more independent wastewater systems combine to form a single area-wide wastewater district.

When multiple entities work together, each utility often benefits from reduced capital and operational costs, and increased economies of scale.

If there is already a larger wastewater system in your area, like a city or sewer district, you may wish to consider contracting with and connecting to their system. Many municipalities and regional districts have extra capacity and may be willing to contract with a smaller entity, whether public or private, to accept and treat its wastewater.

If you believe regionalization is an available option for your system, we recommend contacting providers that operate in your area. The Department can also assist in identifying potential partners or existing regionalized providers in your area or region.

ACCESS TO FUNDING

Another benefit regionalization offers, especially to private facilities and homeowners associations, is greater financing capability. Generally, financial assistance programs are available to public entities. If all proper steps are taken, a coalition of homeowners associations, or nearby private facilities may band together to establish their own public sewer district. A "district" is classified as a political subdivision of the state and has the ability to pass revenue bonds and may be eligible for government financing that would otherwise be off limits to a private entity.

The two primary financial assistance resources available for wastewater systems are the State Revolving Funds and U.S. Department of Agriculture - Rural Development, both of which offer loans and the possibility of partial grant funding to improve project affordability for qualifying applicants. To successfully apply for government funding, it is critical that the city or district have enough rate payers to support loan debt. Forming a public sewer district with only a few ratepayers is not a viable solution, because a very small group of rate payers likely does not have the scale necessary to prove they can to repay a loan.

Forming a district is an ambitious endeavor, regardless of the size, because it requires dedicated local leadership, legal support, and time. But, while negotiating a local agreement or contract between regional partners may seem challenging, the benefits can greatly outweigh the effort. Further, political relationships between the local parties and the fairness of the agreement to all parties must also be carefully negotiated. Even in regions committed to cooperation, negotiating the contract and garnering adequate involvement and buy-in will take time and patience. Again, the direct benefits gained by cost reductions and increased access to funding opportunities can make all the effort very worthwhile.

You may explore additional details about available funding schemes at the Water Protection Program's [Financial Assistance Center webpage](#).

ADDITIONAL RESOURCES

- [Wastewater Regionalization Map](#)
- [Financial Assistance Center](#)
- [USDA – Rural Development](#)
- [Environmental Finance Center Finance Blog](#)
- [Rural Community Assistance Partnership – Benefits of Regionalization](#)
- [U.S. Water Alliance: Utility Consolidation](#)